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IN THE

Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

AT&T CORP.,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF SHELL OIL COMPANY AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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BRIEF OF SHELL OIL COMPANY

INTEREST OF *AMICUS*

Amicus curiae, Shell Oil Company, is involved in many aspects of the U.S. patent system, and thus is directly affected by how the U.S. patent laws are applied to both patentees and potential defendants in U.S. courts.[1] A proper interpretation of when and how infringement liability may be imposed under U.S. patents concerning importing and exporting activities among multiple countries has critical relevance to business decisions involving such things as manufacturing and shipping locations, supply contracts, subcontracting, and indemnity agreements. As such, the Federal Circuit's recent interpretations of 35 U.S.C. § 271(f) have created critical legal and business concerns of

[1] Counsel for *amicus curiae* authored this brief in its entirety. No person or entity other than *amicus curiae* or its counsel made a monetary contribution to the preparation or submission of this brief. Both petitioner and respondent have filed with the Court blanket consents for all briefs *amicus curiae*.

exceptional importance for Shell and any other company involved in multinational transactions involving technology.

The Federal Circuit's decision in *Eolas Technologies, Inc. v. Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. 2005), construing the statutory term "component" and its decision in this case construing the term "supplied" have rightfully garnered considerable attention within the domestic software industry. However, the enormous potential infringement liability created by the Federal Circuit's erroneous construction of § 271(f) extends well beyond these parties and the software technology at issue. The Federal Circuit's incorrect legal pronouncements in *Eolas* also directly caused that court to extend liability under § 271(f) to all U.S. method and process patents performed overseas. *Union Carbide Chemicals v. Shell Oil Co.*, 425 F.3d 1366 (Fed. Cir.), *reh'g denied*, 434 F.3d 1357 (Fed. Cir. 2006). Based on *Eolas*, the Federal Circuit has created infringement liability under U.S. law not only with respect to software developed in the United States that is later copied and incorporated into foreign products and systems covered by U.S. patents, but also with respect to any material or apparatus exported from the United States for use in foreign processes or methods.

Shell's interest in properly construing § 271(f) arose from its involvement as a party in *Union Carbide*. In that case, unlike in *Eolas* and this case, the only asserted claim covered a process, not a product or system. Applying existing law, the district court ruled that there could be no liability under § 271(f), and hence no damages, arising from Shell supplying unpatented catalysts from the United States for use in ethylene oxide production processes run by third parties entirely outside this country. However, in an opinion by the same judge that authored *Eolas*, the Federal Circuit reversed in *Union Carbide*, reiterating its view that "*every* component of *every* form of invention deserves the protection of 35 U.S.C. § 271(f); *i.e.*, that 'components' and 'patented inventions' under § 271(f) are not limited to physical

machines." 425 F.3d at 1379. As shown herein, those conclusions are wrong.

Because Shell reached a business resolution of its particular controversy with Union Carbide before filing its own petition to this Court, the Federal Circuit's decision in *Union Carbide* was left as the controlling precedent on the applicability of § 271(f) to process patents. As a result, that decision remains applicable to Shell and everyone else. Collectively, the Federal Circuit's decisions in *Eolas*, *AT&T*, and *Union Carbide* reflect a fundamental misunderstanding of § 271(f) which, if not changed by this Court, will adversely affect not only the nation's software industry, but every company and industry operating domestically that supplies any material and apparatus used in processes performed by their overseas customers.

Specifically, the decision in *Eolas* is the source of the Federal Circuit's serious misconstruction of § 271(f). As explained herein, the flawed legal conclusions in *Eolas* were rendered outside of an actual controversy in that case, and are directly contrary to the statutory language, Congress' intent, and even prior precedent of the Federal Circuit itself. As recognized by the grant of certiorari by this Court, this case presents the appropriate vehicle by which to restore the meaning of the terms "component" and "supplied" in § 271(f) to what was understood and enacted by Congress. Because the process patent scenario of the *Union Carbide* case aptly illustrates why the term "component" in § 271(f) does not apply to process steps or to other intangibles, Shell is uniquely positioned to provide additional arguments on the issues before this Court that have not been recognized or adequately addressed by the parties or the other amici.

ARGUMENT

I. Congress' Intended Meaning For "Component" And "Supplied" Is Best Illustrated By Examining Why Process And Method Patents Are Not Subject To § 271(f)

The view adopted by the Federal Circuit in *Eolas* as to the scope of the statutory term "component" in § 271(f) was deemed controlling in this case, and thus did not receive any independent analysis. Pet. App. 4a. Necessarily, therefore, Shell addresses the Federal Circuit's faulty reasoning in *Eolas*. By mischaracterizing software as a process and wrongly assuming that processes are entitled to the protections of § 271(f), the Federal Circuit in *Eolas* misconstrued the term "component" and then compounded that legal error in this case by further misconstruing the term "supplied" as it applies to the software at issue.

Simply put, the Federal Circuit seriously erred when it declared in *Eolas* that "every form of invention eligible for patenting falls within the protection of section 271(f)" and that patented processes have "components" within the meaning of § 271(f). 399 F.3d at 1339. As shown herein, such statements are wrong as a matter of law because the existing statutory language does not treat patented processes as having "components" and thus was never intended to extend the "protection" of § 271(f) to process patents. Indeed, the Federal Circuit itself had previously held that § 271(f) was not implicated when an apparatus recited in a process claim is exported for use in performing a patented process overseas. *Standard Haven Prods., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1374 (Fed. Cir. 1992) (noting the patent "claims a method for producing asphalt, not the apparatus for implementing that process"). Notably, the Federal Circuit's analysis in *Eolas* never cited that directly

contrary precedent, and reached the opposite result without even attempting to interpret the actual statutory language.[2]

The single § 271(f) question presented in *Eolas*—whether software code made in the United States and exported abroad is a "component of a patented invention"—did not implicate or require deciding whether process patents are covered by § 271(f). Undoubtedly adhering to the court's prior holding in *Standard Havens*, Eolas only relied on its asserted product claim for its § 271(f) position, and therefore neither party raised or briefed whether the statute applied to patented processes (which surely contributed to the Federal Circuit's unbounded, unprincipled, and incorrect statutory analysis). Nevertheless, en route to declaring that the software exported by Microsoft on "golden master disks" could properly be held to be a "component" of the asserted computer *product* claim, the Federal Circuit incorrectly declared that software was itself a process and that "every component of every form of invention deserves the protection of section 271(f)." 399 F.3d at 1339.

While the Federal Circuit in *Eolas* was unable to "construct a principled reason for treating process inventions different than structural products" (399 F.3d at 1339), the statutory language does exactly that in both 35 U.S.C. § 271(c) and 35 U.S.C. § 271(f). By distinguishing "a component of a patented machine, manufacture, combination, or composition" from "a material or apparatus for use in practicing a patented process," the statutory language establishes that Congress did not consider or treat patented processes as having "components" and thus did not

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[2] In a decision issued after *Eolas* but before *Union Carbide*, the Federal Circuit in *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1321-23 (Fed. Cir. 2005), adhered to *Standard Havens* while distinguishing *Eolas*, at least for method claims. Clearly, therefore, the Federal Circuit's decisions in *NTP* and *Standard Havens* are utterly irreconcilable with *Eolas*, *AT&T*, and *Union Carbide* as to their underlying interpretations of § 271(f).

impose any liability under § 271(f) where materials or apparatus used in performing patented processes are supplied in or from the United States. Thus, the Federal Circuit in *Eolas* not only ignored its own binding precedent and issued an advisory opinion on a subject unrelated to the parties' actual controversy, but the Federal Circuit's flawed assumption that § 271(f) applies equally to patented products and processes is legally insupportable.

Properly construed, the infringement statute itself shows that Congress did not intend or authorize that result. Moreover, once it is realized that Congress did not contemplate that the intangible steps of a process could be "components" for purposes of § 271(f), the question presented here as to whether, when, and why software can be a "component" of a patented product or system invention becomes much easier to resolve. First, unless software is embodied in a specific physical or tangible structure, it cannot be a "component" of a patented invention for purposes of § 271(f). Second, to the extent that such physical manifestations of software can be a "component" of a patented product or system, any such "component" can only be "supplied" by creating, sending, transmitting, or forwarding the specific physical or tangible structure on which the software code is embodied.

II. For Purposes Of 35 U.S.C. § 271(f), Processes Do Not Have "Components" And Thus "Components" Cannot Be Intangible

For purposes of § 271(f), the Federal Circuit agreed that Eolas' "patented invention" was a "computer program product." 399 F.3d at 1339. However, rather than confining its analysis to deciding whether Microsoft's software was a "component" of Eolas' claimed "computer program *product*," the Federal Circuit improperly undertook to establish that "every component of every form of invention deserves the protection of section 271(f)." 399 F.3d at 1339. Of course, the proper judicial inquiry should not have been

whether such protection is "deserved," but whether Congress provided such protection. When properly construed, the statutory language shows that Congress clearly did not.

A. By Mischaracterizing Software As A Process, The Federal Circuit in *Eolas* Avoided Construing The Relevant Statutory Language

The Federal Circuit in *Eolas* began from the premise that it had to decide whether software code made in the United States and exported abroad is a "component[] of a patented invention" under § 271(f). 399 F.3d at 1338. Virtually from the outset of its analysis, however, the Federal Circuit improperly substituted determining what could be a "patented invention" for the required inquiry into what Congress provided could be a "component" of a patented invention.

The Federal Circuit held that "patented invention" in § 271(f) should be broadly construed as including "any new and useful process, machine, manufacture or composition of matter." *See* 399 F.3d at 1338-39 (citing 35 U.S.C. § 101). According to the court, "software code alone qualifies as an invention eligible for patenting under these categories, at least as processes." 399 F.3d at 1339. However, that simplistic view of software is fundamentally wrong, and directly caused the Federal Circuit's distortion of the statute as applied to both software and all patented processes.

Simply put, software is not a process. While software may represent a patentable process, or may be part of a patentable process, the software code itself is not a process. Moreover, that is true whether software is considered to be merely "intangible 0's and 1's" or whether the software is embodied on a tangible, physical structure such as a hard drive or computer disk. Indeed, making, selling, or copying a computer device containing software cannot directly infringe a process claim under § 271(a). In order for such a process

claim to be infringed, the software representing the claimed process would have to be run or used in a computer. Hence, the Federal Circuit in *Eolas* was wrong in characterizing software code as being a process and thus erred in analyzing the § 271(f) issue from that perspective.

Nothing cited by the Federal Circuit in *Eolas* supports its misplaced premise that software is a process. *In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994), simply held that "a computer operating pursuant to software may represent patentable subject matter." However, software installed on a physical computer structure is a specific-purpose *apparatus* for purposes of the patent law. *See, e,g., WMS Gaming, Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1348 (Fed. Cir. 1999).[3] The method claims at issue in *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 1359 (Fed. Cir. 1999), were patentable "processes" not because they were software, but because they produced "a useful, concrete, and tangible result" (citing *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1374 (Fed. Cir. 1998)). Indeed, the portion of the PTO's Manual of Patent Examining Procedure ("MPEP") cited by the Federal Circuit explains that "[s]ince a computer program is merely a set of instructions capable of being executed by a computer, the computer program itself is not a process." *See* 399 F.3d at 1339 (citing MPEP § 2106.IV.B.1.a, at 2100-13 (8th ed. 2001)).

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[3] For that reason, the Federal Circuit's rationalization that "a disk is merely a container that facilitates physical handling of software, like bottles for liquids or pressurized cylinders for gases" (Pet. App. 8a) is disingenuous. Liquids or gases do not rearrange or alter the structure of the containers in which they are inserted. Moreover, because software is patentable only because a physical computer structure on which the software is installed becomes a specific-purpose *apparatus* for purposes of the patent law, the structural computer device containing the software is not merely a container, but is the only legally cognizable embodiment of the software.

By characterizing "software code claimed in conjunction with physical structure, such as a disk" as being a "process" for purposes of § 101, the Federal Circuit seriously erred. *See* 399 F.3d at 1339. Software coupled with a physical structure, such as a disk or memory, might be patentable as a machine, manufacture or composition of matter. However, whether tangible or intangible, software itself is not a process, but merely represents a process. In any event, whether or why software may be patentable in its own right was not even the right question.

Properly analyzed, the relevant issue in *Eolas* (and thus in this case) should not have been whether software could be a "patented invention," but whether software, after being exported on golden disks and copied onto computers in foreign countries, is a "component" of a patented computer *product* invention that had been "supplied" from the United States for purposes of § 271(f). By mischaracterizing software as a process, the Federal Circuit never resolved the true issues. More importantly, the Federal Circuit never recognized or analyzed the statutory language revealing Congress' specific meaning for the term "component."

B. 35 U.S.C. § 271(c) Confirms That Congress Did Not Intend "Components" To Include Materials Or Apparatus Used In A Patented Method Or Process

The Federal Circuit's erroneous assumptions in *Eolas* that anything that could be a "patented invention" could be a "component" of a patented invention and that all "patented inventions" are composed of "components" are directly refuted by the existing infringement statute. As shown below, Congress never used the term "component" when referring to patented processes or methods, and clearly distinguished "a component" from "a material or apparatus for use in practicing a patented process." In its desire to announce its own view of proper patent policy, the Federal Circuit's assumed scope of the term "component" completely

disregards the statutory language and the clear policy choices already made by Congress.

In drafting § 271(f)(2), Congress adopted language directly from 35 U.S.C. § 271(c), which defines liability for contributory infringement for acts within the United States. *See* Sen. R. 98-663, at 7 (1984). Given that linked heritage, it is highly instructive to examine the language in § 271(c) that was not incorporated by Congress into § 271(f)(2). Section 271(c) provides:

> Whoever offers to sell or sells within the United States or imports into the United States *a component of a patented machine, manufacture, combination, or composition*, or **a material or apparatus for use in practicing a patented process**, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in the infringement of such patent, and not a staple commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

As shown by comparing the italicized and bolded passages above, § 271(c) distinguishes between "a *component* of a patented machine, manufacture, combination, or composition" and "a *material* or *apparatus* for use in practicing a patented process." On its face, the statutory language unmistakably reveals that Congress did not treat processes as having "components" and did not intend "component" to include "a material or apparatus for use in practicing a patented process."

If the Federal Circuit's assumptions in *Eolas* had been correct that "patented invention" includes "patented process" and that a "component" could be a material or apparatus used in performing a patented process or even a

step or act of such patented process, then Congress would not have specified separately in § 271(c) that contributory infringement included selling or importing "a material or apparatus for use in practicing a patented process." To avoid rendering the latter phrase entirely meaningless, "a component" must be entirely distinct from "materials or apparatus for use in practicing a patented process."[4]

Notably, Congress incorporated the concept of "component" into § 271(f) but did not include the "material or apparatus for use in practicing a patented process" language. That drafting choice must be interpreted as intentional and material. Clearly, the language imported by Congress from § 271(c) reflects its understanding that a "component" will exist only in patented inventions that are themselves a machine, manufacture, combination, or composition. Equally true, the statutory language reflects Congress' understanding and intention that patented processes do not have "components." Just as § 271(c) does not use "component" with respect to a patented process, Congress incorporated that same understanding of "component" in § 271(c) when drafting § 271(f). *See, e.g., Sullivan v. Stroop*, 496 U.S. 478, 484 (1990) (normal rule is that "identical words used in different parts of the same act are intended to have the same meaning").

Moreover, Congress specifically enacted 35 U.S.C. § 271(g) to address when there could be liability under U.S. patent law for practicing U.S. patented processes in other countries. As one court recognized, § 271(g) shows Congress knew how to protect against foreign use of process patents, and chose to limit such protection only to uses which

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[4] *See, e.g., TRW Inc. v. Andrews*, 534 U.S. 19, 31 (2001) ("it is a cardinal principle of statutory construction that a statute ought, on the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant"); *Connecticut Nat. Bank v. Germain*, 503 U.S. 249, 253 (1992) ("courts should disfavor interpretations of statutes that render language superfluous").

result in products introduced back into the United States. *See Enpat, Inc. v. Microsoft Corp.*, 6 F.Supp.2d 537, 539 (E.D. Va. 1998) ("had Congress intended to prohibit U.S. companies from exporting products which allow foreign companies to make unauthorized use of patent methods, it could have done so in clear, unambiguous language like that found in § 271(g)").

Contrary to the Federal Circuit's unsupported assumptions in *Eolas*, sound policy supports Congress' decision not to expand U.S. patent law to every patented process performed outside the United States. When all or most of the components of a patented product are manufactured domestically, or where a component specially made or adapted for use in a patented product is made domestically, § 271(f) protects a patentee from acts in this country affecting the domestic market in the patented product. However, in many process patent cases, like *Standard Havens* and *Union Carbide*, the exported material or apparatus is not patented, and no product claim could be asserted. Making or selling the exported material or apparatus in this country could not infringe.

If allowed to stand, the Federal Circuit's view of § 271(f) adopted in *Eolas*, this case, and *Union Carbide* would give U.S. patent protection to unpatented products or apparatus under the guise of enforcing a U.S. process patent against a process performed entirely in a foreign country. Absent any effect in a U.S. market served by the U.S. process patent holder, such as when a product of a patented process is later imported into this country, no interference by U.S. law in the non-U.S. markets served by the foreign processes is justified. That role must be reserved for the foreign patent systems. To avoid such serious extraterritoriality concerns, Congress properly did not include the "supplying materials or apparatus for use in practicing a patented process" language in § 271(f) and thus confined U.S. liability for use of foreign processes to the circumstances covered by § 271(g).

It should now be clear that this case presents issues extending well beyond the domestic software industry. Every industry and company active in international commerce is now faced with new potential liability never authorized by Congress. *See* B. Lehman, *Overseas Stretch*, Legal Times (July 11, 2005) (explaining why *Eolas* "goes too far"); J. Farrand, *Territoriality and Incentives Under the Patent Laws: Overreaching Harms U.S. Economic and Technological Interests*, 88 J. Pat. & Trademark Off. Soc. 761 (Sept. 2006). Having justifiably relied on *Standard Havens* and the plain language of the statute, companies will now become strongly disinclined to invest in existing or new U.S. manufacturing, research, or distribution facilities for materials or apparatus to be used in foreign processes. Such a significant burden on the country's economy should only have been enacted by Congress, not imposed unilaterally by a federal appellate court first creating and then adopting its own dicta.

If the unwarranted extraterritorial reach of U.S. law created by the Federal Circuit's decisions in *Eolas*, this case, and *Union Carbide* is not undone, enormous amounts of jobs and investment dollars will be relocated outside the United States. As one concrete example, the Federal Circuit's decisions misconstruing § 271(f) directly affected Shell's decision between expanding its existing catalyst production plant in California, or building a new facility outside the United States to avoid any possible liability under U.S. patent law. Similar investment decisions about whether and where to build, manufacture, do research, and operate within the United States will be made by countless other companies involved in international commerce.

Nevertheless, the district court in this case dismissed such concerns as better addressed through Congressional action rather than through a judicial engraftment onto § 271(f). Pet. App. 37a-38a. Similarly, the Federal Circuit declared that "possible loss of jobs in this country is not

justification for misinterpreting a statute to permit patent infringement" and that "it is enough that Congress intended that the language it enacted would be applied as we have applied it." Pet. App. 10a-11a (quoting *Griffin v. Oceanic Contractors, Inc.*, 458 U.S. 564, 576 (1982)). However, the Federal Circuit got it exactly backwards—both as to the proper statutory interpretation and as to Congress' intent. As shown, the Federal Circuit misinterpreted § 271(f) to find liability under U.S. patent laws where none was provided or intended by Congress. Thus, rather than being limited to resorting to Congress to remedy any dissatisfaction with the Federal Circuit's statutory construction, this Court is authorized and should be obligated to restore § 271(f) to its proper scope, as originally intended by Congress.

C. The Other Justifications In *Eolas* For Extending § 271(f) To Intangible Patented Processes Are Incorrect And Improper

In light of the express statutory language, the Federal Circuit's other rationalizations and justifications set forth in *Eolas* as to why § 271(f) should cover patented processes do not support that conclusion. For example, the Federal Circuit in *Eolas* cited the legislative history of § 271(f), but on its face, the single passage quoted in *Eolas* only applies to patented *products*:

> [Section 271(f)] will prevent copiers from avoiding U.S. patents by supplying components of *a patented product* in this country so that the assembly of the components may be completed abroad.

399 F.3d at 1340 (citing 130 Cong. Rec. H10525 (1984)). Because only patented products are mentioned, the above history does not support the Federal Circuit's declaration that Congress was "correcting a loophole for all forms of patented inventions." 399 F.3d at 1340. Indeed, because § 271(c) shows that Congress viewed only "patented products" to

have "components," the opposite conclusion from the one reached in *Eolas* should have been compelled.

The conclusion that § 271(f) does not protect U.S. process patents is also confirmed by the legislative history of 35 U.S.C. § 271(g), passed four years later in 1988. In 1986, Senate reports discussing the bill leading to § 271(g) stated:

> The bill does not attempt to prevent the use of the [patented] process in another country. If the U.S. process patentholder has not obtained a similar patent in another country, he has and should have no right by virtue of his U.S. patent to prevent anyone from using the process in that country. 132 Congr. Rec. S17, 386-02, at 6 (1986).

> Current law ... fails to protect against the use of the process in another country followed by importation into and use or sale within the United States of the resulting products. Simply using the process in a foreign country where the U.S. inventor does not have a patent is perfectly legitimate; the measure we are considering prohibits only the subsequent importation, use and sale of the resulting products in this country. 132 Congr. Rec. S15, 049-01, at 5 (1986).

If § 271(f) truly protected against the use of patented processes in foreign countries in 1984, Congress would not have stated only two years later that existing law contained no such protection. Thus, the only protection against use of patented processes in foreign countries is limited to that subsequently enacted in § 271(g).

Moreover, even if § 271(f) did more than overrule *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), the patents in that case did not claim any processes

using the disclosed apparatus. In *Deepsouth*, this Court held that patents on machinery for deveining shrimp were not infringed by selling the unassembled parts of the accused device for later assembly and use in Brazil. *Id.* at 526-32. Whether assembled or not, the sale or supply of the components or materials needed to perform a patented process has never infringed the process patent, even where such sale or supply occurs or the resulting apparatus is assembled in the United States. *See Joy Technologies, Inc. v. Flakt, Inc.*, 6 F.3d 770, 774-76 (Fed. Cir. 1993) (citing *Standard Havens* and other cases).

Nothing in § 271(f) affected or changed that law. Even if a party supplies in or from the United States all materials or every piece of equipment needed to build or operate an apparatus for performing a claimed process, there has never been any statutory basis for imposing liability under a U.S. *process* patent where the parts are assembled and used in a foreign country. Even when such items are combined, the "combination" yields an apparatus, not the process. As explained in *Joy*, nothing is being "combined outside the United States in a manner that would infringe the [process] patent if such combination occurred within the United States." *See also NTP*, 418 F.3d at 1322 (supplying devices and products "is not the statutory 'supply' of any 'component' steps for combination into ... patented methods").

Yet, the Federal Circuit in *Eolas* incorrectly declared that "a 'component' of a process invention would encompass method steps or acts." 399 F.3d at 1339 (citing 35 U.S.C. § 112, ¶ 6). However, § 112, ¶ 6 only addresses how an "*element* in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof." It does not even contain the term "component" at all. The Federal Circuit had no basis for equating an "element" under § 112, ¶ 6 with a "component" under § 271(f). The former is directed to how an invention may be claimed, while the latter

governs only when supplying parts of an accused product gives rise to infringement liability. Those distinct statutory provisions and terms are entirely unrelated, and cannot support equating "element" of a patent claim with a "component" of an accused device for purposes of § 271(f).

Hence, the Federal Circuit in *Eolas* fundamentally erred in concluding that "[the] statutory language did not limit § 271(f) to patented 'machines' or patented 'physical structures'" and when it further declared that "the statute did not limit § 271(f) to 'machine' components or 'structural or physical' components." *See* 399 F.3d at 1339. That is exactly what Congress did. As confirmed by § 271(c), Congress associated "components" only with a "machine, manufacture, combination, or composition." Without question, those are all physical structures or apparatus. Moreover, by not using "component" when referring to a patented process, Congress thus limited the coverage for processes under § 271(c) to "a material or apparatus for use in practicing a patented process."

By omitting the latter language from § 271(f), Congress left no doubt that § 271(f) did not cover anything supplied for use in a patented process outside the United States. The statutory language reflects that one cannot supply or cause to be supplied a process step. Process steps are clearly intangible, and they are only performed, not supplied. More importantly, that same reasoning applies to any other intangible item, not just process steps. As used by Congress, "components" should be limited to physical or tangible items that can be supplied and combined to make patented *products* overseas, whether or not such modifiers appear in the statute. Properly interpreted, no other limitation on "component" needed to be expressed by Congress to have excluded patented processes and methods from the scope of § 271(f).

It is not the Federal Circuit's task or privilege to set "sound" patent policy for this country. Such difficult policy

formulations – including defining what acts should constitute infringement -- belong exclusively to Congress. *See, e.g.*, *Parker v. Flook*, 437 U.S. 584, 595-96 (1978); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 456 (1984); *United States v. Dubilier Condensor Corp.*, 298 U.S. 178, 198-99 (1933). Indeed, this was not even a situation where Congress had yet to speak. Nevertheless, the Federal Circuit in *Eolas* ignored Congress' policy choices already embodied in the infringement statute, and incorrectly and impermissibly substituted its own judgment for that of Congress under the guise of statutory construction.

When a federal court makes a decision based on its perception of what is "deserved" – as first done in *Eolas* (399 F.3d at 1339), reiterated again in this case (Pet. App. 4a), and quoted yet again in *Union Carbide* (425 F.3d at 1379), the court has abandoned its judicial role of interpreting statutes in favor of usurping the legislative function from the bench. The Federal Circuit's decision in *Eolas* equating "component" in § 271(f) to anything that could be a patented invention, that court's decision in this case redefining "supplied" for purposes of software, and its decision in *Union Carbide* extending § 271(f) to all process patents are neither sound nor consistent with the policy choices already reached and enacted by Congress.

III. Under A Proper Construction Of § 271(f), Process Steps And Other Intangible Information Are Not "Components" And Thus Cannot Be "Supplied"

The above analysis establishing why § 271(f) does not apply to patented processes is directly significant to the two questions presented by this case. First, this Court should not construe "component" for purposes of § 271(f) as including either process steps or a material or apparatus used in practicing a patented process. As Congress clearly did not provide or intend for the term "component" to encompass such things, this Court should reject the Federal Circuit's

naked assumption that it did. Second, the statutory language reflects Congress' realization that processes and process steps are intangible, and as such, they cannot be supplied. As used by Congress, "component" is properly limited to tangible items that can be "supplied" and "combined" to make patented *products*, whether or not such modifiers appear in the statute.

Stated another way, while a process can be a "patented invention" under § 101, a process does not have "components" for purposes of § 271(f). As the Federal Circuit explained in *NTP*, the very nature of a process invention may compel a different result under § 271(f) even though the statute does not expressly limit the type of invention covered. 418 F.3d at 1322. Properly understood, no other limitation on the term "component" needed to have been expressed in § 271(f) to exclude intangible items and patented processes from its scope.[5]

As explained in *NTP*, "[a] method, by its very nature, is nothing more than the steps of which it is comprised." *Id.* at 1322. Implicitly recognizing that process steps are intangible, the Federal Circuit in *NTP* correctly observed that "it is difficult to conceive of how one might supply or cause to be supplied all or a substantial portion of the steps of a patented method in the sense contemplated by the phrase 'components of a patent invention' in section 271(f)." *Id.* The reason for the court's conceptual difficulty should be

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[5] In that regard, the parties are incorrect in assuming or asserting that Congress did not provide a specific meaning for "component." *See, e.g.*, Petition, at 15-16 (using general dictionary definition); Brief in Opposition to Petition, at 13-14 (asserting that "Congress did not specifically define the word 'component'"); Brief for United States as Amicus Curiae ("U.S. Brief"), at 7 (asserting that "[b]ecause the statute does not define the term 'component,' the term has its 'ordinary or natural meaning'"). As shown, the statute defines the term at least by demonstrating what it is not—as used in § 271(c) and § 271(f), a "component" for purposes of the patent statute cannot be intangible and cannot be "a material or apparatus used in practicing a patented process."

apparent—to the extent that process steps, software, design information, data, knowledge, or ideas remain in intangible form, they cannot be components of anything, including patented inventions.

For that reason, the Federal Circuit in *NTP* properly held that the defendant's supply of products, such as its handheld BlackBerry® devices, to customers in this country did not constitute supplying or causing to be supplied in this country any steps of a patented process invention for combination outside the United States so as to infringe the asserted method claims. 418 F.3d at 1322-23. Although not expressly recognized in *NTP*, the additional reason for that conclusion is that "materials or apparatus for use in a patent process" are not "components" as that term was defined by Congress for purposes of § 271(f).

The Federal Circuit's unsupported assumption first announced in *Eolas* that *intangible* software can be a "component" is therefore incorrect. Indeed, as revealed in *NTP*, the product claim at issue in *Eolas* was directed to a software product claimed as comprising "a computer usable medium having computer readable program code physically embodied therein" and "computer readable program code." 418 F.3d at 1322. Thus, by its very terms, the product claim in *Eolas* reflected that allegedly intangible software can only be patentable when claimed in a tangible, physical form; *i.e.*, a computer usable medium, such as a hard drive or disk, having the program code or software physically embodied therein. Hence, for purposes of the patent laws, this Court should hold that software cannot be either a "patented invention" or a "component" absent a physical embodiment of such computer code.

Viewed in that light, the Federal Circuit's decisions in *Pellegrini v. Analog Devices, Inc.*, 375 F.3d 1113 (Fed. Cir. 2004), and *Bayer AG v. Housey Pharms., Inc.*, 340 F.3d 1367 (Fed. Cir. 2003), become instructive. In *Pellegrini*, the Federal Circuit held that § 271(f) "applies only where

components of a patent invention are physically present in the United States" and that "there can be no liability under § 271(f)(1) unless components are shipped from the United States for assembly." 375 F.3d at 1117. Clearly, intangibles such as process steps, information, or designs cannot be "physically present" or "shipped" or "combined" into products unless in tangible form.

In *Bayer*, the Federal Circuit held that the data obtained in other countries allegedly using patented processes to screen for potential drug candidates was not a "product" for purposes of § 271(g). 340 F.3d at 1371-72 (also noting that the statutory terms were "consistent in referring to tangible objects and not intangibles such as information"). The court further reasoned that the liability exception in § 271(g) where an accused product "becomes a trivial and nonessential component of another product" also appears to contemplate "a physical product." 340 F.3d at 1373. Once again, while instructions, data, and information become tangible when written down or recorded, that type of physical embodiment cannot transform those intangibles into "products" of patented processes or "components" of patented processes.

Once it is understood that software can only be recognized by the patent laws when in tangible form, the flaws in the Federal Circuit's interpretations of § 271(f) should become obvious. Nevertheless, Petitioner's central premise that its software code is intangible as long as it is uncoupled from any storage medium or computer (Pet. 3) may not fully answer the questions presented.[6] Clearly, the software code is in a tangible form when it is embodied on

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[6] Having accepted the Federal Circuit's mistaken view of "component," Respondent seemingly agrees with Petitioner that its software is intangible (*e.g.*, Supplemental Br. of Respondents, at 1, 2, 3, 4). If this Court agrees, the Federal Circuit could be reversed on that basis because intangible information, whether ideas, designs, or software, is not a "component" of a patented invention for purposes of § 271(f).

the golden master disk that is exported to other countries, and copies of that code are tangible after the copies are loaded onto physical structures within the computers assembled in foreign countries. However, it is undisputed that Microsoft's golden master disks are never themselves combined into any product or system in another country and that the separate computer drives or disks containing the copied software were never physically in the United States after the software was loaded. Therefore, under the proper interpretation of "component" and "supplied," there can be no liability under U.S. patent law with respect to any computer systems falling within the respondent's asserted product claims that are assembled entirely overseas and never subsequently imported into the United States.

Based on an inapplicable general definition of "component," the United States argues that "the software copy that is actually loaded onto the computers is a part, element, or ingredient of the patented invention." U.S. Brief, at 8. However, that too is overbroad and reflects inexact terminology. If the "patented invention" in question is a claimed product or system, the specific copy of the software that is so loaded on the computer may be a "component" of the patented invention. However, for the reasons stated, if the "patented invention" at issue is a process or method, the software even as loaded on a computer structure is still not part of the patented process, but is merely a material or apparatus for use in practicing the process and hence not a "component" at all.

The United States otherwise agrees that, for purposes of § 271(f), software must have "physical existence" or be "physically embodied" in a computer structure in order for the software to work and for the patented system containing the software to have been assembled. U.S. Brief, at 9. While the United States insists that the software remains "intangible" even after it has been loaded onto tangible, physical computer parts to create the specific-purpose *apparatus* recognizable under the patent laws, the outcome

here is the same either way. If software is deemed to be intangible in all contexts, then it cannot be a "component" under § 271(f) as a matter of law. If software can be a "component" but only when it is represented in tangible form, then such component cannot be divorced from the particular physical media on which it is embodied. In that case, the only components "supplied" by Microsoft in or from the United States are its golden master disks which are never combined with anything outside the United States in a manner that would infringe Respondent's asserted product or system claims.

The Federal Circuit's attempt to redefine the statutory term "supplied" to encompass the act of copying solely in "the context of software distribution" (Pet. App. 6a) cannot be accepted. Words in a statute must be construed to have a single meaning. Even where a statute is ambiguous, the agency or court tasked with its interpretation must adopt one of the possible meanings. Just as a federal statute cannot have one meaning in California and another in Texas, the term "supplied" in § 271(f) cannot have one meaning for software copied overseas to be incorporated into patented computer products and another meaning for all other "components." Thus, by recognizing software must be in tangible form to be a "component" under § 271(f), the Federal Circuit's fluid approach to interpreting "supplied" based on the technology at issue is avoided.

If, after § 271(f) was enacted, the overseas purchaser of the patented shrimp deveining device in *Deepsouth* had used the exported and unassembled pieces to make 99 identical copies of each piece that had been shipped from the United States, and thus assembled a total of 100 such devices for use or sale outside the United States, there still should be liability for only one act of infringement under U.S. law, not for one hundred. The overseas copying of a software "component" to be combined into a patented product or system cannot be treated differently under the same statutory terms than would be the overseas copying of the physical

components of any other "machine, manufacture, combination, or composition."

If "supplying" includes foreign copying of all U.S.-originated software, then the term necessarily would encompass foreign copying of any and all "components" of patented products. By the Federal Circuit's own admission, that is not what it held. Pet. App. 6a. For the reasons stated quite adequately elsewhere, that software-specific and result-oriented interpretation of "supplied" cannot be allowed to remain the law. *See* Pet. App. 11a-19a, at 13a (Rader, J., dissenting) ("copying and supplying are different acts, and one act of 'supplying' cannot give rise to liability for multiple acts of copying"); Reply Br. for Pet. 8-10; U.S. Brief, at 10-18.

The flaws in the Federal Circuit's reasoning can be demonstrated using the court's own analogy. According to the Federal Circuit, uploading a single copy of software to a server on the Internet should be sufficient to create liability for any number of exact copies that are downloaded because the server "supplies" the software to the user's computer. Pet. App. 6a. However, while each copy downloaded from the server may result in a "supply" of the software to each individual user, the statute also requires that such supply be "in or from the United States." The Federal Circuit ignores that if the server is located in a foreign country, and the copies are being downloaded to locations outside this country, the copies are not being supplied "in or from the United States." Similarly, if Microsoft's golden master disks are located in a foreign country when the foreign copies are made, there simply has been no "supply" of the software copies in or from the United States.

Finally, even if software code is transmitted electronically from the United States to a foreign country, only the particular media on which it is stored following such transmission could be deemed a "component" supplied from the United States if later combined directly into a patented

product or system. However, absent a separate transmission of the software from the United States for each patented computer system that is assembled, the software in each system has not been supplied from the United States. If, as occurred here, further copies of the initially transmitted software are made overseas, those copies are embodied upon separate and distinct computer structures and therefore have not been supplied from the United States. To conclude otherwise would ignore the express territoriality restrictions in the statute, not to mention the presumption against extraterritorial application of U.S. law. *See* Pet. 23-29; U.S. Brief, at 16-17.

If § 271(f) is expanded to cover foreign copies of software and all process and method patent it will improperly interfere with the ability of many countries to regulate their own commercial affairs. As one example, while business methods are patentable in this country, the European Patent Convention ("EPC") has excluded business methods from patent protection.[7] If the Federal Circuit's interpretation of § 271(f) is upheld, a U.S. company that supplies software to the England could be held liable for infringing a U.S. patent on a business method when the software performing that method is used entirely in England, even though England does not even allow patent protection for business methods.

Similarly, the TRIPS agreement permits members to exclude from patent protection "diagnostic, therapeutic, and surgical methods for the treatment of humans or animals."[8]

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[7] EPC, at Art. 52(2)(c) (available at http://www.european-patent-office.org/legal/epc/e/ar52.html#A52) (last visited December 12, 2006).

[8] Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Including Trade In Counterfeit Goods, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments – Results of the Uruguay Round vol. 31, 33 I.L.M. 1197 (1994), at Art. 27(3)(a).

Many countries, including those that adhere to the EPC, have chosen not to extend patent protection to methods of administering or treating patients.[9] Once again, the Federal Circuit's view of § 271(f) will interfere with these nations' choices in how to obtain medicines and treat diseases. U.S. patent protection on methods of treatment will effectively be exported with any medicine shipped from the U.S. The supply of unpatented medicine from the U.S. could be enjoined for infringing a U.S. patent covering a method of treatment even though the treatment occurs in a country that consciously decided not to allow such patent protection.

Principles of international comity cannot be ignored. *See, e.g., F. Hoffman-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164, 174 (2004); *Murray v. Schooner Charming Betsy*, 6 U.S. (2 Cranch) 64, 118 ("an act of Congress ought never to be construed to violate the law of nations if any other possible construction remains"). Historically, U.S. patent law has been interpreted to limit its extraterritorial reach. *See, e.g., Brown v. Duchesne*, 60 U.S. (How.) 183, 197 (1857); *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 225 U.S. 641, 650 (1915). There is no basis for the Federal Circuit's expansive re-interpretation of § 271(f) that incorrectly and improperly interferes with the commerce and laws of other sovereign nations, whether with respect to application of their own patent laws or in respecting that other countries may have elected not to extend patent protection as broadly as the United States.

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[9] *See, e.g.*, EPC, at Art. 52(4) (available at http://www.european-patent-office.org/legal/epc/e/ar52.html#A52) (last visited December 12, 2006).

CONCLUSION

For the foregoing reasons, the decision of the United States Court of Appeals for the Federal Circuit should be reversed.

Respectfully submitted.

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